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TAGS: [EICN](#) [PREL](#) [PGOV](#) [PBTS](#) [ETRD](#) [AF](#)
SUBJECT: PRIVATIZATION OF AFGHAN TELECOM IMMINENT INCLUDING FIBER
OPTIC RING

REF: KABUL 03542

Summary

¶1. (SBU) State Department Senior Advisor, Robert Deutsch, met with Afghan Minister of Communications, Amir Zia Sangin, on November 17 and received Afghan support for a conference fostering regional telecommunications interconnectivity. Minister Sangin also shared that plans for the privatization of Afghan telecom are well underway (due in large measure to extensive and accelerated USAID technical assistance). He said he expects a bid from UAE based Etisalat shortly. End summary.

Regional Interconnectivity & The Fiber Optic Ring

¶2. (U) Minister Sangin was highly supportive of a proposal by Deutsch to host a spring conference on telecommunications interconnectivity in Baku, Azerbaijan. Deutsch outlined that the conference would follow recent discussions in Almaty and allow Afghanistan and its neighbors to take stock of current communications networks and examine the possibilities of and hindrances to regional interconnectivity. The trick, Deutsch noted, would be for each country to accurately assess its current fiber optic network and development plans. Prior to the conference, the U.S. will provide a paper format so that each country can complete a detailed self-assessment.

¶3. (U) Sangin said that the conference was needed as Afghanistan was making progress on its fiber optic ring. When completed, the 3400 km country-wide fiber optic ring would link all provincial capitals; key district centers; and infrastructure facilities; in Afghanistan. The challenge remained linking Afghanistan to its neighbors and reducing dependence on current, and expensive, satellite connections. Sangin said that ZTE, the Chinese contractor completing the project, had laid a good portion of the necessary ductwork. Sangin hoped they would be able to thread cable through those ducts in 2008. Certain quality control problems had been addressed, including initial poor backfilling and trenching. (Note: [0]A verbal status report by the Afghan Telecom Project Manager to the Embassy stated 540 Km of duct would be completed by end of November, 17% of the project. Along the 540 Km of duct there is still manhole construction and building entrance work to complete. End note.) The areas that had not been trenched were largely in the South, where security issues had hindered ZTE subcontractors. Sangin expected ZTE to be successful in its search for a new subcontractor "that could operate in a Taliban area." The other incomplete stretch of the fiber-optic ring was the critical section between Kabul, Jalabad, and the Pakistan border. ZTE had not yet determined how it would run the cable through the mountainous terrain in a cost-effective manner. The link was critical, however, as Pakistan's fiber-optic network was near the border and had strong

cooperative potential.

14. (U) Sangin offered that the first piece of the network (created before ZTE had the contract) was already active, carrying communications between Herat and Iran. However, the line was currently used only for voice communications as the IROA and Iran had not yet been able to negotiate an agreement on internet (data) interconnectivity. The regional conference would be all the more valuable to smooth the way towards regional data sharing (albeit not with Iran). Sangin felt that by the time of the conference, a second piece of the fiber optic ring would be online between Kabul and Mazar. If that were the case, Afghanistan might be able to link to Tajikistan and Uzbekistan, depending on if those countries had the necessary infrastructure in place to do so.

Privatization of Afghan Telecom Imminent

15. (SBU) Sangin said that given the progress on the fiber-optic ring, the privatization of Afghan Telecom (the legacy telecom provide that controls the ring) was imminent and would include the fiber-optic ring to increase the value of the sale. Sangin expected a bid very soon from UAE based Etisalat as they understood the Afghan market and had just finished a second round of due diligence at the request of the board. Sangin also shared that a Russian firm had expressed "some interest" and just completed its own, albeit lesser, due diligence. Given the likely Etisalat bid, Sangin said he understood the importance of a "Swiss challenge" that would well advertise the bid and provide "one month" for other investors to put together a counter offer. Deutsch noted that one month might be a bit short; Sangin took the point and agreed that the private sector was the best judge of asset evaluation and that the IROA wanted to appear transparent and receive the maximum value possible for the

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sale. (Note: Cabinet approval is needed for the sale and the Cabinet previous rejected and offer by Etisalat to purchase Afghan Telecom along with IROA granting Etisalat a GSM license. The Cabinet directed that Etisalat should only be awarded the GSM license. Sangin made reference to this in the conversation and said now that Etisalat has its GSM license, it was still interested and approval was not problematic. End note.)

16. (SBU) Deutsch welcomed the upcoming sale, while cautioning that care would need to be taken to ensure that the owner of Afghan Telecom would not have a monopoly on long-distance and data communications. The company should ensure everyone has fair access and Afghan telecom should not charge competitors much higher transport charges than the internal costs incurred by Afghan Telecom. Sangin agreed, but said he was going to hire a consulting firm to study the charges that the IROA should allow on the network.

17. (SBU) Sangin concluded the meeting by noting that the IROA remained committed to linking the Afghan government to its population and creating further rural access. While over 70% of the Afghan population now had easy phone access, the other 30% were in hard to reach rural areas. He hoped that Afghan Telecom would continue to support the Government Communications Network (GCN), the District Communications Network (DCN), and a possible Village Communications Network after the sale. Even if this was not the case, he envisioned that the Afghanistan Telecom Development Fund (with a balance of \$12 million generated from a 2.5% tax on GSM provider revenues) would ensure that the programs remained operational. (Note: Embassy has stressed that care must be taken to ensure that the private owner of Afghan Telecom is not the sole beneficiary of any subsidiaries from this fund. End note.)

18. (U) Senior Advisor Robert Deutsch did not clear this cable before leaving post.

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